

## Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-07 CEA-01 AGRE-00 DOE-15 SOE-02 /118 W  
-----064274 211342Z /47

R 210758Z AUG 78  
FM AMEMBASSY DAKAR  
TO SECSTATE WASHDC 5406  
INFO AMEMBASSY ABIDJAN  
AMEMBASSY BAMAKO  
AMEMBASSY BANJUL POUCH  
AMEMBASSY BISSAU POUCH  
AMEMBASSY CONAKRY  
AMEMBASSY PARIS  
AMEMBASSY PRAIA POUCH  
AMEMBASSY NOUAKCHOTT

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PARIS FOR MURPHY

E.O. 11652: N/A  
TAGS: ECON, EFIN, SG  
SUBJECT: NATIONAL ASSEMBLY ACTS ON ECONOMIC SITUATION

REF: (A) DAKAR 5187, (B) DAKAR 5636 (NOTAL)

1. FULL MAGNITUDE OF SENEGAL'S ECONOMIC CRISIS IN WAKE OF 1977'S  
DROUGHT WAS REVEALED IN SPECIAL SESSION OF THE NATIONAL ASSEMBLY  
AUGUST 7-11. SESSION WAS CALLED FOR SPECIFIC PURPOSE OF  
ENACTING 14 LAWS AIMED AT INCREASING GOVERNMENT REVENUES TO  
HEAD OFF BUDGETARY CASH FLOW DIFFICULTIES FORESEEN IN SEPTEMBER  
AND OCTOBER. (REF A) CHRISTIAN VALENTIN, CHAIRMAN OF ASSEMBLY'S  
COMMITTEE ON ECONOMIC AFFAIRS, PROVIDED FOLLOWING GRIM STATISTICS  
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IN HIS AUGUST 11 SPEECH TO THE SESSION:  
--ONLY 300,000 TONS OF PEANUTS WERE COMMERCIALIZED  
(CRUSHED INTO OIL OR OTHERWISE PROCESSED) DURING  
1977-78 AGRICULTURAL CAMPAIGN. THIS IS LOWEST  
TOTAL SINCE 1947.  
--SENEGAL'S TRADE BALANCE IS EXPECTED TO SHOW DEFICIT  
OF CFA 80 BILLION (\$370 MILLION) FOR 1978. IN 1977

DEFICIT WAS \$178 MILLION.

--BOTTOMLINE BALANCE OF PAYMENTS DEFICIT IS PROJECTED  
AT CFA 24 BILLION (\$110 MILLION), UP FROM \$13 MILLION  
IN 1977.

--GROSS DOMESTIC PRODUCT IS EXPECTED TO DECLINE TEN  
PERCENT IN CURRENT DOLLARS. FACTORING IN INFLATION  
DECREASE WOULD BE NEARER 20 PERCENT.

2. THE 14 NEW LAWS INACTED INCLUDE IMPOSITION OF SALES TAXES  
ON RETAIL SALES OF GASOLINE WHICH RESULTS IN 25 PERCENT PRICE  
INCREASE TO CFA 120 (\$.55) PER LITRE. ALTHOUGH DIESEL AND  
FUEL OILS ARE EXEMPT FROM THESE TAXES, THIS MOVE ALONE WILL  
PRODUCE AN ESTIMATED CFA 3.1 BILLION (\$14.5 MILLION) IN  
REVENUE. OTHER STEPS TAKEN WERE TO INCREASE IMPORT DUTIES ON  
AUTOMOBILES, CANNED GOODS, HOME FURNISHINGS, AND ALCOHOLIC  
BEVERAGES. THESE MEASURES ARE GEARED TO DAMPEN DEMAND FOR  
IMPORTS. TO STIMULATE EXPORTS, LEGAL PROCEDURES FOR  
ESTABLISHING EXPORT ORIENTED FIRMS HAVE BEEN SIMPLIFIED.

3. ANOTHER OF MEASURES ADOPTED WAS DECLARATION OF A NATIONAL  
"SOLIDARITY DAY" DURING WHICH SALARIED EMPLOYEES DONATE DAY'S  
PAY FOR REDISTRIBUTION TO RURAL POOR. THIS WOULD ACCOUNT  
FOR TRANSFER OF CFA 600 MILLION.

4. EMBASSY COMMENT. VALENTIN'S SPEECH MARKS FIRST TIME  
SENEGAL'S CURRENT ECONOMIC CRISIS HAS BEEN PUBLICLY ASSESSED.  
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STATISTICS PRESENTED REVEAL SENEGAL'S WORST ECONOMIC PERFOR-  
MANCE SINCE INDEPENDENCE. AS TO BALANCE OF PAYMENTS, WE SEE  
LITTLE CHANCE THAT NEW LEGISLATION ENACTED WILL CAUSE MUCH  
IMPROVEMENT. ITEMS ON WHICH DUTIES WERE RAISED HAVE RELATIVELY  
INELASTIC DEMAND AND WE FORESEE LITTLE IMPACT ON OVERALL  
MAGNITUDE OF IMPORTS. SOME RELIEF WILL BE PROVIDED BY  
STABEX PROVISION OF THE LOME CONVENTION WHICH HAS ALREADY  
PLEDGED CFA 5 BILLION (\$23 MILLION) TO HELP OFFSET LOSSES  
FROM REDUCED SALE OF GROUNDNUT PRODUCTS. PLENTY OF CREDIT ALSO  
REMAINS AT IMF. SENEGAL ALSO RETAINS OVERDRAFT RIGHTS WITHIN  
THE WEST AFRICAN MONETARY UNION AMOUNTING TO CFA 10 BILLION.  
IN SUM, SENEGAL SHOULD BE ABLE TO RIDE OUT CURRENT BALANCE  
OF PAYMENTS DIFFICULTIES. NEW MEASURES DESCRIBED ABOVE  
SHOULD, HOWEVER, HAVE FAVORABLE IMPACT ON PUBLIC FINANCE  
SITUATION. MAJOR PROBLEM WAS A PROJECTED SHORT TERM  
DEFICIT OF PERHAPS \$20 MILLION THIS AUTUMN DURING WHICH GOS  
WOULD HAVE HAD DIFFICULT TIME MEETING PAYROLL EXPENSES.  
INCREASED TAXES ON GASOLINE WILL BE MAJOR FACTOR IN  
BOOSTING REVENUES. IT IS RUMORED THAT LOAN FROM FRANCE WILL  
COVER MUCH OF REMAINING DEFICIT. CURRENT SITUATION IS  
SIMILAR TO THE ONE SENEGAL FACED AFTER THE DROUGHT OF 1972  
AFTER WHICH GROSS DOMESTIC PRODUCT DROPPED CONSIDERABLY.

THAT DEFICIT WAS COMPLETELY ERASED BY NORMAL HARVEST IN 1973  
WHICH PULLED GDP UP BY MORE THAN 20 PERCENT. WE HOPE SAME  
SCENARIO CAN BE REPEATED. EARLY PATTERN OF RAINFALL IS  
EXCELLENT AND POINTS TO ABOVE NORMAL HARVEST.

5. SEPTTEL FOLLOWS ON POLITICAL ASPECTS OF ASSEMBLY SPECIAL  
SESSION. COPY OF VALENTIN'S SPEECH BEING POUCHED TO AF/W.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL CRISIS, CENTRAL LEGISLATURE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978DAKAR06287  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 DAKAR 5187, 78 DAKAR 5636  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 27 apr 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1681782  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NATIONAL ASSEMBLY ACTS ON ECONOMIC SITUATION  
**TAGS:** ECON, EFIN, SG  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/dce35160-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014